



UK SME Confidence Index

June 2018



VISTAGE



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In this latest quarterly measure of the economic confidence and perceptions of SME business leaders here in the UK we show results alongside our March 2018 findings as a comparison for discussion and interest. Roger Martin-Fagg, our Behavioural Economist-in-Residence, also shares his thoughts on these findings in light of the wider UK economic landscape.

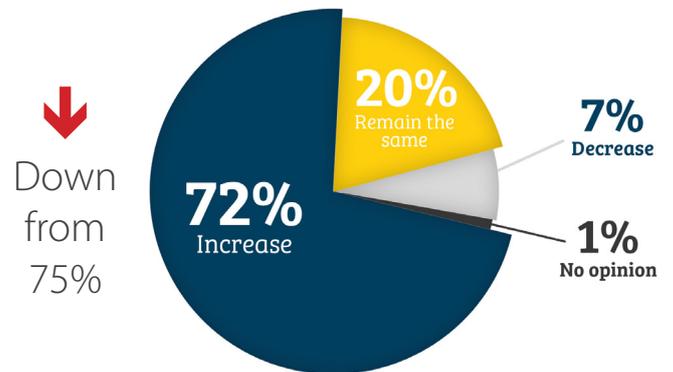
The overall confidence index of UK SMEs has decreased considerably by 2.4 points from the high recorded 3 months, although it should be noted that this is still 4.6 points above the base of a year ago.

The largest driver of this shift in confidence has been caused by a decrease in expectations for future revenue growth over the next 12 months – SME business leaders are still optimistic but those expecting revenues to increase has dropped from 75% to 72%. This change in revenue forecasts appears to be influenced by MDs and CEOs reporting a decrease in their ratings of both the current and future economic conditions compared to 3 months ago.

Despite these slight decreases, there is no change to plans to recruit (57% still expect to increase number of employees going forwards) and there is actually an increase in plans to invest with 50% of business leaders now planning to increase their fixed investment expenditure in the next 12 months – perhaps to offset expected worsening of economic condition.

This quarter we have also looked specifically at a couple of aspects of wellbeing of the business leaders who are members of Vistage. It is good to see that the majority are applying an often forgotten skill of a business leader, that of ensuring they looked after themselves by seeing the importance of down time and of taking holiday. 88% report taking more than 2 weeks holiday in the past year, although over a third don't switch off completely and often find themselves logging in to email or doing work on their holidays.

UK Key Highlights



Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?

57%

of respondents said they will to increase the total number of employees in their business in the next 12 months

88%

of respondents have taken more than 2 weeks holiday in the past year

2.4

Overall confidence has decreased by 2.4 points compared to the previous



Roger Martin-Fagg
Behavioural Economist-in-Residence

Half of respondents think economic conditions have remained the same, but 13% believe they have improved.

I can only think that their main export market is the USA or the the Republic of Ireland! Looking ahead the majority think overall conditions will remain the same or deteriorate. And the same number are maintaining or increasing their investment spending because they expect further growth in sales and improving profitability. Nearly half will be raising prices and more than half increasing headcount.

I suspect the same companies agree that their success depends on incremental innovation (it used to be called continuous improvement!). And it is preferred to radical innovation. Growth is about finding new customers. Well yes!

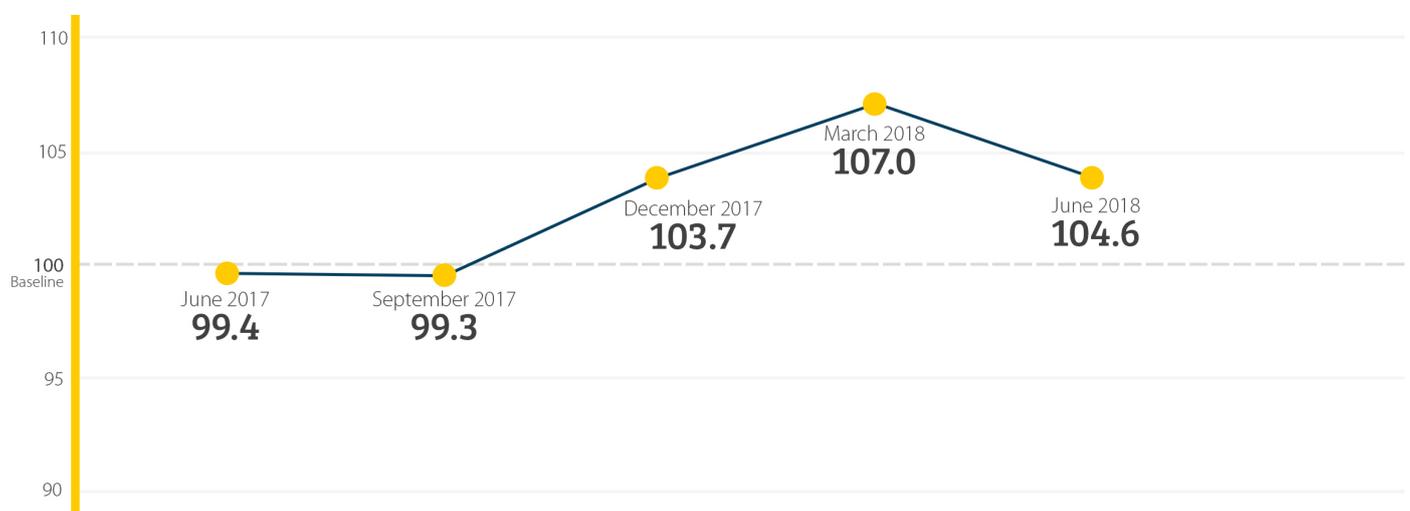
The most interesting and encouraging information is that more than 50% are looking at the impact of the internet of things, AI and block chain on their business. And I assume that the application of these technologies is considered by them to be incremental innovation.

Overall the survey supports the view that Vistage members continue to innovate, invest, grow both sales and profits and intend to succeed despite the machinations of the political elite. However Vistage members are not your average SME business owner; they are exceptional by being open minded, thoughtful, courageous and energetic. The UK needs more businesses like these!

Roger Martin-Fagg is an economist turned strategist. He has been external examiner to Bath University, worked with the Bank of England, three of the major UK clearing banks, advised a major London recording studio for 15 years, and regularly talks to SME business leaders in the UK and Europe about economic trends. He is a visiting fellow to Ashridge, Warwick and Henley business schools. He also speaks at conferences around the world on the economic outlook and its impact on business.

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June 2018 - 104.6



| | Question | Answer | Jun '18 | Mar '18 | |
|----|---|------------------------------------|---------|---------|---|
| Q1 | Compared with a year ago, have overall economic conditions improved, remained the same, or worsened? | Improved | 13% | 14% | ↓ |
| | | Remained about the same | 56% | 54% | ↑ |
| | | Worsened | 29% | 30% | ↓ |
| | | Don't Know/No opinion | 3% | 2% | ↑ |
| Q2 | During the next 12 months, do you expect overall economic conditions will be better, about the same, or worse than now? | Better | 8% | 10% | ↓ |
| | | About the same | 50% | 51% | ↓ |
| | | Worse | 39% | 37% | ↑ |
| | | Don't Know/No opinion | 4% | 3% | ↑ |
| Q3 | Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months? | Increase | 50% | 47% | ↑ |
| | | Remain the same | 36% | 41% | ↓ |
| | | Decrease | 11% | 10% | ↑ |
| | | Don't Know/No opinion | 3% | 2% | ↑ |
| Q4 | Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months? | Increase | 72% | 75% | ↓ |
| | | Remain the same | 20% | 20% | - |
| | | Decrease | 7% | 5% | ↑ |
| | | Don't Know/No opinion | 1% | 0% | ↑ |
| Q5 | Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months? | Improve | 54% | 57% | ↓ |
| | | Remain the same | 31% | 29% | ↑ |
| | | Worsen | 14% | 14% | - |
| | | Don't Know/No opinion | 0% | 0% | - |
| Q6 | Do you expect prices for your product or service to increase, remain about the same, or decrease during the next 12 months? | Increase | 42% | 46% | ↓ |
| | | About the same | 50% | 47% | ↑ |
| | | Decrease | 7% | 7% | - |
| | | Don't Know/No opinion | 1% | 0% | ↑ |
| Q7 | Do you expect your firm's total number of employees will increase, remain about the same, or decrease during the next 12 months? | Increase | 57% | 57% | - |
| | | Remain the same | 31% | 33% | ↓ |
| | | Decrease | 11% | 10% | ↑ |
| | | Don't Know/No opinion | 1% | 0% | ↑ |
| Q8 | When do you plan to increase your firm's total number of employees over the next 12 months? | Within the next 1 - 3 months | 23% | 39% | ↓ |
| | | In 4 - 6 months time | 14% | 19% | ↓ |
| | | In 7 - 9 months time | 5% | 10% | ↓ |
| | | In 10 - 12 months time | 7% | 4% | ↑ |
| | | Steadily throughout next 12 months | 18% | 28% | ↓ |
| | I do not intend to increase my total number of employees in the next 12 months | 34% | 0% | ↑ | |

| | | |
|--|---|-----|
| Q9 Which of the following statements, if any, reflect your own situation? | I find it difficult to find time to take a holiday | 10% |
| | I find it difficult to switch off from work completely when I take a holiday | 29% |
| | I often find myself logging onto email, or doing work-related activities on my holiday | 36% |
| | I have had to cancel or cut short a holiday because of work commitments | 8% |
| | I have had to miss a get together with family or friends (e.g., wedding / birthday) because of work commitments | 9% |
| | I worry about the ability of my staff to cope when I go on holiday | 7% |

| | | |
|--|----------------------------|-----|
| Q10 Excluding Christmas, when was the last time you were able to take more than a week's holiday from work? | Less than three months ago | 34% |
| | Less than six months ago | 18% |
| | Less than a year ago | 30% |
| | Less than two years ago | 8% |
| | More than two years ago | 10% |

| | | |
|--|-----------------|-----|
| Q11 How many days of annual leave did you take last year? | 1 - 3 days | 1% |
| | 4 - 6 days | 1% |
| | 7 - 10 days | 3% |
| | 11 - 14 days | 8% |
| | 15 - 18 days | 13% |
| | 19 - 24 days | 28% |
| | 25 days or more | 47% |

About the Vistage Confidence Index

Statistics based on **360** UK respondents, all leaders of small and medium sized organisations. Vistage Research curates subject matter from the Vistage community and collaborates with top thought leaders to create unique content. Vistage Research provides the data and expert perspectives to help SME business leaders make better decisions.

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